

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

CRS RECOVERY, INC., a Virginia
corporation; and DALE MAYBERRY,

Plaintiffs,

v.

JOHN LAXTON, aka
johnlaxton@gmail.com; and
NORTHBAY REAL ESTATE, INC.,

Defendants.

No. C 06-7093 CW

ORDER DENYING
MOTION FOR
JUDGMENT AS A
MATTER OF LAW
(Docket No. 349)
AND DENYING MOTION
TO MODIFY
PRELIMINARY
INJUNCTION OR
REQUIRE AN
ADDITIONAL BOND
(Docket No. 387)

Defendant Northbay Real Estate, Inc., through its Chapter 7
Bankruptcy Trustee, moves for judgment as a matter of law.
Defendant John Laxton joins in its motion. Plaintiffs CRS
Recovery, Inc. and Dale Mayberry oppose Defendants' motion.
Plaintiffs also move to modify the permanent injunction imposed by
the Court or to require Defendants to post a bond. For the
reasons set forth below, the Court DENIES both motions.

BACKGROUND

On July 1995, Mayberry registered the domain name "rl.com"
with Network Solutions, Inc., a registrar of domain names. See
Docket No. 381, 155:8-9, 160:2-161:16; Docket No. 251:9-16; Pls.'
Trial Ex. 1. Mayberry was the original owner of rl.com. Docket
No. 164:3-4. After he registered rl.com, on October 3, 1995,
Mayberry also registered the domain name "mat.net" with Network
Solutions. Id. at 153:20-22, 163:25-164:2; Docket No. 382,
268:10-269:6. After Mayberry registered mat.net, he updated the
administrative contact information for rl.com to reflect the email

1 address "dale@mat.net," in addition to his mailing address and
2 telephone numbers, and to show his company, Micro Access
3 Technologies, as the account holder. Docket No. 381, 163:14-
4 165:19; Pls.' Trial Ex. 3.

5 When an individual registers a domain name, he or she, as the
6 registrant, can pay for the registration in one year increments
7 for between one and ten years at a time, and can renew the
8 registration repeatedly when the original registration expires.
9 Docket No. 382, 260:12-18. The date when the domain name comes up
10 for renewal is referred to as the anniversary date. Id. at
11 263:22-25. On the anniversary date, the registrar automatically
12 pays the registry to renew the domain name, even if the registrant
13 has not yet paid the registrar for the renewal. Id. at 262:18-
14 263:1. Verisign is the registry for the .com and .net top level
15 domain names. Id. at 254:13-17. If the registrant has not paid
16 the renewal fee to the registry by the anniversary date, the
17 domain name goes into an "auto renew grace period." Id. at 264:9-
18 16. In late 2003, this grace period for Network Solutions and
19 Verisign was forty-five days. Id. at 264:17-20.¹

20 If, by the end of the grace period, the registrant has still
21 not paid the renewal fee, the registrar sends a "delete command"
22 to the registry. Id. at 265:18-25. Despite its name, the delete
23 command does not actually delete the domain name. Id. at 265:25-
24 266:1. Instead, among other things, it puts the domain name into
25

26
27 ¹ At this time, Network Solutions had recently been spun out
28 of Verisign and certain documents created by Verisign continued to
be used by Network Solutions to govern its relationships with
registrants. Docket No. 383, 440:2-7.

1 a status called a redemption grace period with the registry. Id.
2 at 266:2-5. In late 2003, this redemption grace period lasted for
3 thirty days. Id. at 266:6-8. If a registrant pays the renewal
4 fee during that time period, the domain name is restored to active
5 status for the registrant. Id. at 266:9-12.

6 If the domain name is not restored during the grace period,
7 it goes into a five-day pending delete queue, at the end of which
8 the domain name is deleted and "drops," which means that it is
9 made available for registration by the general public. Id. at
10 260:5-11, 267:3-11. Individuals can place a "back order," which
11 allows them to register the domain name as soon as it drops. Id.
12 at 282:4-12. However, during the auto renew grace period and the
13 redemption grace period, no one other than the registrant can
14 acquire the domain name or request restoration of the domain name,
15 and in order to be re-registered through a back order, the domain
16 name must expire, go through each grace period and then be
17 formally deleted at the end of the pending delete period. Id. at
18 267:12-19, 334:20-25.

19 Mayberry generally received annual renewal notices and
20 invoices for the registration of the domain names by mail and
21 email. Docket No. 381, 162:6-17, 167:10-13, 178:12-179:3, 182:8-
22 11. He usually got these for the registration of mat.net about
23 one or two months before the annual renewal date, which was in
24 October. Id. at 178:21-179:1. The service agreement that
25 governed Network Solutions's relationship with registrants in 2003
26 provided that it would "endeavor to provide you notice prior to
27 the renewal of your services at least fifteen (15) days in advance
28 of the renewal date," although it further provided that "you are

1 solely responsible for ensuring the services are renewed." Docket
2 No. 383, 440:1-22; Defs.' Ex. 137-2.

3 Mayberry last renewed the registration for mat.net on
4 February 19, 2002 for the time period from October 4, 2001 through
5 October 4, 2003; that renewal was completed prior to the
6 establishment of the grace periods and process described above,
7 which were newly established in 2003. Docket No. 381, 179:3-221;
8 Docket No. 382, 327:24-328:14; Pls.' Trial Ex. 37. He last
9 renewed the registration for rl.com on July 23, 2002, when he paid
10 in advance for three years so that the registration would expire
11 on July 24, 2005. Docket No. 381, 157:20-158:6, 167:10-169:10;
12 Pls.' Trial Ex. 17.

13 In the fall of 2003, Mayberry did not receive renewal or
14 expiration notices or invoices related to mat.net. Docket No.
15 381, 182:8-21. Mayberry relied on receiving an invoice to know
16 when the renewal date was coming up and did not send in a renewal
17 payment because he did not receive an invoice. Id. at 183:4-12,
18 227: 2-4. At that time, Mayberry still used the dale@mat.net
19 email address, although it was no longer his primary email
20 address. Id. at 166:1-6, 225:14-18.

21 On its anniversary date on October 3, 2003, mat.net expired
22 and its forty-five day auto renew grace period began. Docket No.
23 382, 278:15-279:12. On November 17, 2003, the delete command was
24 issued for mat.net and the thirty-day redemption grace period
25 began. Id. at 280:2-23.

26 However, mat.net never completed the redemption grace period,
27 went into the pending delete queue or became available for anyone
28 in the public to register because, during the thirty day

1 redemption grace period, on December 15, 2003, Verisign processed
2 a restore command for it. Docket No. 382, 281:3-282:1, 335:15-22;
3 Docket No. 383, 466:18-467:7. Mayberry had not asked that Network
4 Solutions issue a restore code for mat.net. Docket No. 381,
5 185:13-15. As previously noted, the restore command could be used
6 only to restore mat.net to the original registrant, Micro Access
7 Technologies, and mat.net was restored to it. Docket No. 382,
8 281:12-19; Docket No. 383, 467:8-17, 479:3-23.

9 Once a domain name is restored, there is no authorized
10 process for anyone other than the original registrant to update
11 the administrative contact or primary user information for the
12 domain name. Docket No. 382, 282:13-18. However, after mat.net
13 was restored to Micro Access Technologies, on December 19, 2003,
14 someone other than Mayberry changed the name servers associated
15 with mat.net and changed the primary user for that domain name
16 from Mayberry to Li Qiang, without Mayberry's permission to do so.
17 Docket No. 381, 172:4-174:7; Docket No. 383, 469:3-473:8, 479:3-
18 23. Through that change, Qiang took control of the dale@mat.net
19 email account. Docket No. 383, 469:3-473:8, 479:3-23. Qiang did
20 not acquire the domain name through the back order process. Id.
21 at 468:24-469:2.

22 On the morning of December 23, 2003, using the dale@mat.net
23 email address, Qiang initiated a request to transfer rl.com to
24 himself. Docket No. 382, 359:16-360:13, 364:10-20; Pls.' Trial
25 Ex. 82-63. Network Solutions then sent an automated authorization
26 request to dale@mat.net as the email address associated with
27 rl.com, requesting authorization for the transfer. Docket No.
28 382, 359:16-360:13, 361:22-362:9; Pls.' Trial Exs. 18, 82-61, 82-

63. Authorization was given in response to the email less than a minute after the email was sent. Docket No. 382, 360:4-19, 363:18-364:2; Pls.' Trial Exs. 18, 82-61, 82-63. Mayberry did not receive the email, give permission for the transfer or authorize Qiang to take any of these actions. Docket No. 381, 157:2-7, 169:24-1, 175:2-176:25. Later that day, Qiang transferred rl.com from Network Solutions to another registrar based in China. Docket No. 382, 366:2-367:7. Mat.net was transferred from Network Solutions to another registrar on March 28, 2004. Docket No. 383, 451:8-18.

In May 2005, Laxton purchased rl.com from Bernali Kalita. Docket No. 382, 405:5-11, 417:19-20. Sometime before that, Kalita had acquired it from Qiang. Laxton later assigned rl.com to Northbay.

On July 21, 2005, Mayberry signed two relevant documents. The first was titled "Agreement for Domain Name Transfer," and the second was attached to the agreement as Exhibit A and titled "Assignment." Donaldson Decl., Docket No. 261, ¶ 2, Ex. A; Lau Decl. ¶ 4, Docket No. 271, Ex. A, 3-5. In the latter document, Mayberry, in exchange for "good and valuable consideration," assigned "CRS Recovery Services, LLC . . . all right, title and interest in and to the domain name 'RL.COM' . . . and the right to bring actions and to recover damages for past infringement of any of the foregoing." Id. Although the body of the agreement also referred to "CRS Recovery Services, LLC" as the recipient of the rights to rl.com, the company is referred to as "CRS Recovery Services, Inc." above the signature line. Id. In the agreement, CRS Recovery agreed to pay Mayberry a fee and to attempt to

1 recover both rl.com and mat.net and turn the latter over to
2 Mayberry. Id. In exchange, CRS Recovery would retain ownership
3 of rl.com if it was recovered. Id. Mayberry also agreed to take
4 all actions necessary for the execution and performance of the
5 agreement and assignment and "the consummation of the transactions
6 contemplated" therein, including the attempt to recover mat.net
7 and rl.com. Id.

8 At the time that these documents were executed, neither CRS
9 Recovery Services, Inc. nor CRS Recovery Services, LLC had been
10 formed. Lau Decl. ¶ 4. Richard Lau, who is now the President of
11 CRS Recovery, Inc., reached the agreement with Mayberry because he
12 intended to establish CRS Recovery in some form shortly thereafter
13 and wanted to obtain the rights to rl.com on behalf of it. Id.

14 Almost five months later, on December 13, 2005, Lau and
15 Steven Lieberman incorporated CRS Recovery, Inc. in Virginia.
16 Donaldson Decl. ¶ 7, Ex. F; Lau Decl. ¶ 5, Ex. B; see also Docket
17 No. 382, 243:7-11. Lieberman was also Lau's attorney. Docket No.
18 382, 299:8-10. The articles of incorporation listed Greenberg &
19 Lieberman, LLC as one of the initial directors of the entity. Lau
20 Decl. ¶ 5, Ex. B. No entity called CRS Recovery Services, LLC was
21 ever formed. Lau Decl. ¶ 5.

22 In January 2006, Lau and Lieberman called Laxton on the phone
23 and demanded the return of rl.com. Docket No. 382, 290:12-15,
24 299:8-10; see also id. at 397:9-398:20 (Laxton's testimony
25 regarding the phone call, including that Lieberman told him that
26 he "was in possession of . . . a stolen domain name and that they
27 wanted it back, his client wanted it back"). During that
28 conversation, they offered to reimburse him what he had paid to

1 acquire the domain name. Id. at 290:20-291:2. Laxton told them
2 to send him this in writing. Id. at 290:16-19, 291:3-5.

3 On February 27, 2006, Lieberman sent Laxton a demand letter
4 on Greenberg & Lieberman, LLC letterhead, "intended only for the
5 purpose of settling any disputes between my client, Brian D.
6 Mayberry, Jr., and yourself." Docket No. 382, 291:6-19; Pls.'
7 Trial Ex. 86. In the letter, Lieberman stated that "it is
8 unequivocal that Mr. Mayberry is the rightful owner of the domain
9 name RL.com" and stated that "my client has authorized me to offer
10 to reimburse you for your acquisition costs in order to avoid
11 extended litigation regarding this matter." Pls.' Trial Ex. 86.

12 CRS Recovery, Inc. and Mayberry filed this action on November
13 15, 2006, against, among others, Laxton, Northbay and Qiang.
14 Docket No. 1. On October 30, 2007, Plaintiffs filed their second
15 amended complaint (2AC). Docket No. 51. In the 2AC, Plaintiffs
16 allege, "In July, 2005, Mayberry transferred all of his right,
17 title and interest in RL.Com to CRS for valuable consideration."
18 2AC ¶ 16. They also allege that "CRS stands in Mayberry's shoes
19 pursuant to a written assignment to recover possession of RL.Com
20 and MAT.Com, and to recover pecuniary damages suffered by
21 Mayberry." Id. at ¶¶ 24, 31. In the 2AC, they asserted claims
22 for conversion, intentional interference with contract,
23 declaratory relief and unfair competition.

24 In early 2008, CRS Recovery recovered mat.net from Liang and
25 returned it to Mayberry. Donaldson Decl. ¶ 6, Ex. E; Lau Decl.
26 ¶ 8.

27 In February 2008, after mat.net had been returned to
28 Mayberry, he and Lau, personally and on behalf of CRS Recovery,

1 Inc., signed a document entitled "Confirmation of Contract
2 Performance and Unqualified Assignment of Rights." Donaldson
3 Decl. ¶ 5, Ex. D; Lau Decl. ¶ 9, Ex. A, 1-2. In this document,
4 they described the 2005 agreement as a contract between Mayberry
5 and Lau and stated that Lau had subsequently conveyed all rights
6 to recover rl.com to CRS Recovery, Inc. Donaldson Decl. ¶ 5, Ex.
7 D; Lau Decl. ¶ 9, Ex. A, 1. In the February 2008 agreement,
8 Mayberry again agreed that he conveyed to CRS Recovery, Inc.
9 irrevocably and without qualification, all rights to the ownership
10 of rl.com. Id.

11 On June 13, 2008, Plaintiffs filed a motion for leave to file
12 a third amended complaint. Docket No. 76. In the motion, they
13 stated, "Plaintiff Mayberry should be dismissed from the action,
14 as he has recovered MAT.Net, and seeks no further relief." Id. at
15 3. Plaintiffs later withdrew this motion for leave. Docket No.
16 100.

17 On September 26, 2008, the Court granted Plaintiffs' motion
18 for summary adjudication on its claims against Laxton and Northbay
19 for conversion and declaratory relief. Docket No. 170. The Court
20 also dismissed Plaintiffs' claims for intentional interference
21 with contract and unfair competition, because at the hearing,
22 Plaintiffs agreed to dismiss these claims if they prevailed on the
23 motion for summary adjudication of the other claims. Id. at 18.
24 Subsequently, the Ninth Circuit reversed in part this Court's
25 summary adjudication order, finding that, under the facts
26 presented at that time, material disputes remained regarding the
27 circumstances under which Mayberry lost control of rl.com,
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1 including whether this was the result of theft, fraud or
2 abandonment.

3 On May 4, 2012, the Court denied Plaintiffs' motion to amend
4 their complaint to withdraw their claims for conversion,
5 intentional interference with contract and any requests for
6 damages, to strike their jury demand and to reset the matter for a
7 bench trial. Docket No. 322. Plaintiffs' request to withdraw the
8 claims and requests for damages was conditional on the Court
9 granting their request to strike the jury demand and proceed with
10 a bench trial, which the Court denied. In that motion, Plaintiffs
11 had noted, "Regardless of the ruling on this motion, Plaintiffs do
12 not intend to pursue their claim for intentional interference with
13 contract," and that "if the Court denies the request to amend the
14 complaint and strike the jury demand, Plaintiffs will simply
15 proceed with a jury trial as scheduled on all of their claims
16 except intentional interference with contract, and will separately
17 seek leave to withdraw that claim before trial." Docket No. 316,
18 1-2 n.1.

19 On May 4, 2012 as well, the Court denied Northbay's motion to
20 dismiss the complaint. Docket No. 323. In its motion, Northbay
21 argued that neither Mayberry nor CRS Recovery, Inc. had standing
22 at the outset of this case to pursue the claims as to rl.com.
23 Northbay stated that Mayberry lacked standing because, in 2005,
24 Mayberry assigned his interest in rl.com to CRS Recovery Services,
25 LLC and that, even if he had standing at the outset of the case to
26 bring claims related to rl.com, he asserted only claims related to
27 mat.net and had abandoned any claims related to rl.com. Northbay
28 also argued that CRS Recovery, Inc. lacked standing, because

1 Mayberry's 2005 assignment was in favor of the LLC and not the
2 corporation, the assignment took place before the corporation was
3 formed and it was invalid.

4 In denying the motion, the Court found that CRS Recovery,
5 Inc. obtained the rights to RL.com through the 2005 agreement and
6 assignment and that, even if the 2005 transfer were invalid,
7 Mayberry had standing when the action was filed, and he
8 subsequently transferred rights to CRS Recovery, Inc. in the 2008
9 confirmation and agreement. Id. at 5-6. The Court also rejected
10 Northbay's argument that the operative complaint could be read
11 only to assert claims by Mayberry related to mat.net and found
12 that it was "susceptible to a broader construction." Id. at 6.
13 The Court noted that, although Plaintiffs have stated that they
14 would remove Mayberry as a named plaintiff, they did so with the
15 understanding that CRS Recovery, Inc. would be able to pursue the
16 claims that it gained through assignment from Mayberry. Id.

17 A four day trial was held on May 7 through 10, 2012. Docket
18 Nos. 339-42. On the first day of trial, Plaintiffs moved to
19 dismiss voluntarily their claim for intentional interference with
20 contract, which the Court granted. Docket No. 381, 4:17-20.
21 Defendants did not object.

22 On May 9, 2012, Northbay filed a motion for judgment as a
23 matter of law. Docket No. 333.

24 On May 10, 2012, the jury returned a verdict that Plaintiffs
25 proved that Laxton and Northbay had converted rl.com. Docket No.
26 345. The jury also found that Defendants had not proved either of
27 their affirmative defenses. Id. In particular, the jury found
28 Defendants had not established that Plaintiffs abandoned rl.com

1 before Defendants acquired it or that Qiang had obtained rl.com by
2 fraud rather than by theft and therefore gained title to it, which
3 could be passed to Defendants as good faith purchasers. Id.
4 After the jury returned its verdict, Plaintiffs voluntarily
5 dismissed their claim for violation of California's Unfair
6 Competition Law (UCL), Cal. Bus. & Prof. Code section 17200, with
7 the Court's permission. Docket No. 384, 565:15-24. Defendants
8 did not object to the dismissal.

9 On May 14, 2012, the clerk entered judgment in favor of
10 Plaintiffs against Defendants on the first and fourth claims for
11 conversion and declaratory relief, stating that Plaintiffs are the
12 lawful owners of the domain name rl.com and noting that the second
13 and third claims for intentional interference with contract and
14 unfair competition had been dismissed. Docket No. 344. On the
15 same date, the Court entered a permanent injunction. Docket No.
16 343.

17 On May 31, 2012, Northbay filed the instant renewed motion
18 for a judgment as a matter of law pursuant to Federal Rule of
19 Civil Procedure 50(b). Docket No. 349. On June 4, 2012, Laxton
20 joined in the motion. Docket No. 352.

21 On November 8, 2012, Plaintiffs filed a motion to modify the
22 permanent injunction or to require Defendants to post an
23 additional bond, and for a case management conference. Docket No.
24 387.

25 DISCUSSION

26 I. Motion for judgment as a matter of law

27 Defendants request that, under Federal Rule of Civil
28 Procedure 50, the Court set aside the jury's verdict in favor of

1 Plaintiffs on the claims for conversion and declaratory relief and
2 that the Court enter judgment in favor of Defendants on the
3 remaining claims pursuant to Federal Rule of Civil Procedure 52.

4 A. Legal standard

5 A motion for judgment as a matter of law after the verdict
6 renews the moving party's prior Rule 50(a) motion for judgment as
7 a matter of law at the close of all the evidence. Fed. R. Civ.
8 P. 50(b). Judgment as a matter of law after the verdict may be
9 granted only when the evidence and its inferences, construed in
10 the light most favorable to the non-moving party, permits only one
11 reasonable conclusion as to the verdict. Josephs v. Pac. Bell,
12 443 F.3d 1050, 1062 (9th Cir. 2006). Where there is sufficient
13 conflicting evidence, or if reasonable minds could differ over the
14 verdict, judgment as a matter of law after the verdict is
15 improper. See, e.g., Kern v. Levolor Lorentzen, Inc., 899 F.2d
16 772, 775 (9th Cir. 1990); Air-Sea Forwarders, Inc. v. Air Asia
17 Co., 880 F.2d 176, 181 (9th Cir. 1989).

18 Federal Rule of Civil Procedure 52 governs findings and
19 conclusions made by the Court in actions tried on the facts
20 without a jury or with an advisory jury. It provides in part
21 that, after making such findings, on a party's timely motion after
22 the entry of judgment, "the court may amend its findings--or make
23 additional findings--and may amend the judgment accordingly."
24 Fed. R. Civ. P. 52(b). It also provides, "If a party has been
25 fully heard on an issue during a nonjury trial and the court finds
26 against the party on that issue, the court may enter judgment
27 against the party on a claim or defense that, under the
28

1 controlling law, can be maintained or defeated only with a
2 favorable finding on that issue." Fed. R. Civ. P. 52(c).

3 B. Discussion

4 1. Standing of Mayberry and mootness of his claims

5 In their motion, Defendants argue that Mayberry no longer had
6 standing to prosecute his claims at the time of trial because he
7 lacked a stake in the case at that point and his claims were moot.
8 Defendants base their arguments on the fact that Mayberry assigned
9 his rights to rl.com to CRS Recovery, recovered mat.net prior to
10 trial and did not seek monetary damages at trial. Defendants
11 contend that, as a result, judgment should be entered in their
12 favor on all claims asserted by Mayberry.

13 Standing and mootness are distinct issues that underlie
14 whether the Court has jurisdiction under Article III to adjudicate
15 a case and are separate from the merits of the claims asserted.
16 See, e.g., Friends of the Earth, Inc. v. Laidlaw Envtl. Servs.
17 (TOC), Inc., 528 U.S. 167, 189-190 (2000) (discussing the
18 conflation of standing and mootness); Warth v. Seldin, 422 U.S.
19 490, 500-01 (1975) ("standing in no way depends on the merits of
20 the plaintiff's contention that particular conduct is illegal").

21 The standing requirement is "perhaps the most important" of
22 the doctrines under Article III of the Constitution that limit
23 "the federal courts to adjudicating actual 'cases' and
24 'controversies.'" Allen v. Wright, 468 U.S. 737, 750-751 (1984).
25 "Those two words confine 'the business of federal courts to
26 questions presented in an adversary context and in a form
27 historically viewed as capable of resolution through the judicial
28 process.'" Massachusetts v. Envtl. Prot. Agency, 549 U.S. 497,

516 (2007) (quoting Flast v. Cohen, 392 U.S. 83, 95 (1968)). "At bottom, 'the gist of the question of standing' is whether petitioners have 'such a personal stake in the outcome of the controversy as to assure that concrete adverseness which sharpens the presentation of issues upon which the court so largely depends for illumination.'" Id. (quoting Baker v. Carr, 369 U.S. 186, 204 (1962)). "As with all questions of subject matter jurisdiction except mootness, standing is determined as of the date of the filing of the complaint The party invoking the jurisdiction of the court cannot rely on events that unfolded after the filing of the complaint to establish its standing." Wilbur v. Locke, 423 F.3d 1101, 1107 (9th Cir. 2005), abrogated in part on other grounds by Levin v. Commerce Energy, Inc., 130 S. Ct. 2323 (2010) (quotation marks and citations omitted). Only one plaintiff need have standing to assert a claim for the Court to have jurisdiction under Article III. See Kaahumanu v. Hawaii, 682 F.3d 789, 798 (9th Cir. 2012) ("'Because we find [one plaintiff] has standing, we do not consider the standing of the other plaintiffs.'") (quoting Watt v. Energy Action Educ. Found., 454 U.S. 151, 160 (1981)).

"Mootness can be characterized as the doctrine of standing set in a time frame: The requisite personal interest that must exist at the commencement of the litigation (standing) must continue throughout its existence (mootness)." Or. Advocacy Ctr. v. Mink, 322 F.3d 1101, 1116 (9th Cir. 2003) (quoting Cook Inlet Treaty Tribes v. Shalala, 166 F.3d 986, 989 (9th Cir. 1999)); see also Friends of the Earth, 528 U.S. at 191 (explaining that this description of mootness "is not comprehensive"). "Thus, '[a]n

1 actual controversy must be extant at all stages of review, not
2 merely at the time the complaint is filed.'" Id. (quoting
3 Bernhardt v. County of Los Angeles, 279 F.3d 862, 871 (9th Cir.
4 2002)). "Generally, an action is mooted when the issues presented
5 are no longer live and therefore the parties lack a legally
6 cognizable interest for which the courts can grant a remedy." Id.
7 (internal quotation marks and citations omitted). "'The party
8 asserting mootness has the heavy burden of establishing that there
9 is no effective relief remaining for a court to provide.'" Id. at
10 1116-17 (quoting Tinoqui-Chalola Council of Kitanemuk & Yowlumne
11 Tejon Indians v. United States Dep't of Energy, 232 F.3d 1300,
12 1303 (9th Cir. 2000)).

13 In the instant motion, Defendants have not challenged the
14 standing of CRS Recovery or asserted that its claims are moot, and
15 have not disputed that Mayberry had standing at the time that the
16 case was filed. Thus, there is no dispute that there was a
17 justiciable case or controversy properly before this Court both at
18 the time of filing and at the time of trial. Further, even if the
19 Article III jurisdiction inquiry were limited to Mayberry's
20 individual stake in the case, contrary to Defendants'
21 characterization, Mayberry has retained an interest in its outcome
22 throughout its duration and did not concede at trial that his
23 claims were moot, as Defendants have averred without citation.
24 Among other things, Plaintiffs have sought a declaratory judgment
25 that rl.com was improperly taken from Mayberry through identity
26 theft and forged transfer documents and that the transfers based
27 on these wrongful actions should be reversed, even if he would
28 then transfer the domain name to CRS Recovery.

2. Whether domain names are subject to a conversion claim

Defendants argue that the jury's verdict on the conversion claim should be reversed because domain names are not property subject to a conversion claim.

To establish the tort of conversion, "a plaintiff must show 'ownership or right to possession of property, wrongful disposition of the property right and damages.'" Kremen v. Cohen, 337 F.3d 1024, 1029 (9th Cir. 2003) (quoting G.S. Rasmussen & Assoc., Inc. v. Kalitta Flying Service, Inc., 958 F.2d 896, 906 (9th Cir. 1992)). The Ninth Circuit previously found that the domain names in this case are property subject to conversion claims:

Like the majority of states to have addressed the issue, California law recognizes a property interest in domain names. As we explained in Kremen v. Cohen, domain names are intangible property subject to conversion claims. 337 F.3d 1024, 1030 (9th Cir. 2003). To this end, "courts generally hold that domain names are subject to the same laws as other types of intangible property." Jonathan D. Hart, Internet Law 120 (2008); see, e.g., Office Depot Inc. v. Zuccarini, 596 F.3d 696, 701-02 (9th Cir. 2010) (domain name subject to receivership in the district of domain name registrar). We have previously explained the logic of California understanding domain names as intangible property because domain names are well-defined interests, exclusive to the owner, and are bought and sold, often for high values. Kremen, 337 F.3d 1024. Domain names are thus subject to conversion under California law, notwithstanding the common law tort law distinction between tangible and intangible property for conversion claims. Id.

CRS Recovery, Inc. v. Laxton, 600 F.3d 1138, 1142 (9th Cir. 2010).

Defendants contend that, despite the Ninth Circuit's discussion in this case and in Kremen, this Court should hold that, as a matter of law, "under California law, a domain name is not property that may be converted." Renewed Mot. 6. Defendants

1 argue that, in Kremen, because no California court had squarely
2 decided the issue, the Ninth Circuit found that domain names were
3 property subject to conversion based on its prediction of how
4 California courts would resolve the question. Defendants contend
5 that a subsequent California Court of Appeal decision, In re
6 Forchion, 198 Cal. App. 4th 1284 (2011), showed that this
7 prediction was erroneous.

8 However, Forchion does not compel this conclusion. In that
9 case, the California Court of Appeal considered whether an
10 individual could statutorily change his name to the name of his
11 website, "NJWeedman.com." Forchion, 198 Cal. App. 4th at 1286.
12 The court found that he could not and, in so holding, discussed
13 the confusion that could ensue if the plaintiff were allowed to
14 change his name this way but later lost the use of NJWeedman.com
15 as a domain name, thereby allowing someone else to register it.
16 Id. at 1287, 1309-12. During its discussion of the nature of a
17 domain name, the court quoted several passages from a discussion
18 in a note published in a law journal that explained the author's
19 belief that a domain name is not property but is instead the
20 product of a contract for services between the registrant and the
21 registrar. Id. at 1308-09 (quoting Note, Kremen v. Cohen: The
22 "Knotty" Saga of Sex.Com 45 Jurimetrics J. 75, 84-91 (2004)). The
23 court also pointed out that other notes urged the contrary
24 approach, which the Ninth Circuit had adopted. Id. at 1309. The
25 court, however, went on to state, "Regardless of whether a domain
26 name is a registrant's property or merely the product of a
27 services contract, a registrant may lose any proprietary interest
28 in the domain name if he or she fails to pay periodic renewal fees

1 or breaches the registration agreement with the registrar." Id.
2 at 1309. Thus, the court did not directly address or even clearly
3 express its own views on whether domain names are property.
4 Rather, it raised the issue only as background in a very different
5 context, before moving on to consider the matters relevant to the
6 case before it. This Court is bound to follow the Ninth Circuit's
7 contrary determination as law of the case, as well as its
8 controlling holding in Kremen.

9 Accordingly, the Court denies Defendants' motion to reverse
10 the jury's verdict on this claim based on their contention that
11 domain names are not property subject to conversion.

12 3. Demand for return of rl.com by CRS Recovery

13 Under California law, "where a person entitled to possession"
14 of property "demands it, the wrongful, unjustified withholding is
15 actionable as conversion." CRS Recovery, 600 F.3d at 1145.
16 Defendants argue that Plaintiffs did not present evidence that a
17 demand for the return of rl.com was made on behalf of CRS
18 Recovery, and thus the jury verdict on the conversion claim should
19 be reversed.

20 Plaintiffs offered evidence that Lieberman and Lau requested
21 the return of rl.com from Laxton on multiple occasions, through a
22 phone call and a letter. Defendants do not dispute that Leiberman
23 and Lau made these demands or that Laxton understood them as such,
24 and instead argue that these demands were made on behalf of
25 Mayberry, who was not entitled to possession at that time, and not
26 on behalf of CRS Recovery.

27 Defendants' arguments are unavailing for a number of reasons.
28 The jury found in favor of Plaintiffs collectively, including both

1 CRS Recovery and Mayberry. Plaintiffs have presented evidence
2 that CRS Recovery agreed to try to recover both domain names, with
3 the full assistance of Mayberry, by exercising the rights of
4 Mayberry to the domain names. Further, even if Mayberry were not
5 a proper plaintiff, CRS Recovery was, and it was the principals of
6 CRS Recovery who made the demands. Defendants have not offered
7 any authority requiring that CRS Recovery demand return of the
8 domain name while identifying itself as the entity with the right
9 to possession. That Lau and Lieberman asserted that they were
10 acting on behalf of their client, Mayberry, is consistent with the
11 arrangement that Lau had made with Mayberry on behalf of CRS
12 Recovery to try to use his rights to recover the domain names.

13 Accordingly, Plaintiffs offered sufficient evidence to
14 support the jury's finding that they made a demand for the return
15 of rl.com, and the Court denies Defendants' motion to vacate the
16 verdict on the conversion claim for this reason.

17 4. Declaratory judgment claim

18 Defendants argue that the Court should reverse the judgment
19 on the declaratory relief claim because the "predicate for or
20 substance of plaintiffs' declaratory relief claim was their
21 conversion claim" and "judgment must be rendered against
22 plaintiffs and in favor of defendants on plaintiffs' conversion
23 claim." Renewed Mot. 9. However, the Court has rejected
24 Defendants' arguments regarding the conversion claim. Because
25 Defendants' contention on the declaratory relief claim is merely
26 derivative of their unmeritorious arguments on the conversion
27 claim, the Court also denies their motion as to the declaratory
28 relief claim.

1 5. UCL and wrongful interference with contract claims

2 Defendants argue that, pursuant to Rule 52, the Court should
3 make findings that Plaintiffs failed to offer evidence in support
4 of their UCL claim and enter judgment against them on the claim.
5 Defendants alternatively contend that the Court should amend the
6 judgment to reflect that Plaintiffs dismissed their UCL claim with
7 prejudice or to state that they may not bring it again in the
8 future. In a footnote, Defendants ask that the same be done for
9 the wrongful interference with contract claim.

10 As Defendants acknowledge, the UCL claim "was a nonjury
11 claim." Renewed Mot. 10. As explained above, Plaintiffs
12 dismissed their UCL claim after the jury had returned a verdict on
13 the conversion and declaratory relief claims. Defendants have
14 offered no authority to support that the Court may make such
15 findings or enter judgment as a matter of law on a claim after it
16 has been dismissed voluntarily with Court permission.

17 In addition, the Court declines to modify the judgment to
18 reflect that the dismissal of the claims for violation of the UCL
19 and wrongful interference with contract was with prejudice.

20 Defendants argue that the dismissal of the UCL claim should
21 be with prejudice "in light of plaintiffs' purported dismissal of
22 their Section 17200 claims after the jury returned its verdict and
23 before the Court ruled on their claims . . . as well as in view of
24 the fact that plaintiffs dismissed the same claims in 2008."
25 Renewed Mot. 10. Defendants also argue that the wrongful
26 interference claim has been dismissed multiple times. Id. at 11
27 n.5.
28

1 In support, Defendants cite language set forth in Rule
2 41(a)(1)(B), which provides in part that "if the plaintiff
3 previously dismissed any federal- or state-court action based on
4 or including the same claim, a notice of dismissal operates as an
5 adjudication on the merits." However, this subpart is applicable
6 to dismissal of an action by the plaintiff without a court order
7 through the filing of a notice of dismissal or stipulation. Rule
8 41(a)(2) governs the dismissal of actions by court order and
9 provides that, unless the order states otherwise, a dismissal
10 under that paragraph is without prejudice. Here, the Court
11 granted Plaintiffs permission to dismiss the claims; Plaintiff did
12 not act without a court order. Further, here, Plaintiffs
13 eliminated claims but did not dismiss the action. See Hells
14 Canyon Pres. Council v. United States Forest Serv., 403 F.3d 683,
15 687-689 (9th Cir. 2005) (Rule 41(a) does not encompass dismissal
16 of individual claims; instead, this is properly considered an
17 amendment under Rule 15(a)); Ethridge v. Harbor House Restaurant,
18 861 F.2d 1389, 1392 (9th Cir. 1988); see also Hells Canyon, 504
19 F.3d at 690 ("It is axiomatic that prejudice does not attach to a
20 claim that is properly dropped from a complaint under Rule 15(a)
21 prior to final judgment."). Finally, in 2008, Plaintiffs
22 conditionally dismissed the UCL and wrongful interference claims
23 only if the motion for summary judgment on their claims for
24 conversion and declaratory relief were granted, in order to obtain
25 a final judgment. Because the Court granted the motion as to the
26 other claims, it dismissed the UCL and wrongful interference
27 claims. However, the Ninth Circuit then reversed the order
28

1 granting summary judgment on those claims, thereby removing the
2 condition that Plaintiffs had placed on their dismissal.

3 In support of their request, Defendants cite Williams v. Ford
4 Motor Credit Co., 627 F.2d 158, 159-60 (8th Cir. 1980). However,
5 in that case, the court discussed a dismissal of an action under
6 Rule 41(a), which is inapplicable here. Further, in Williams, the
7 jury returned a verdict for the plaintiff and the defendant filed
8 a motion for a judgment notwithstanding the verdict. Id. at 159.
9 In response, the plaintiff argued that the motion should be denied
10 and requested in the alternative that, if the court decided the
11 verdict should not stand, the action be dismissed without
12 prejudice to refiling in state court. Id. The trial court took
13 the latter action. Id. The appellate court reversed and directed
14 the trial court to rule on the motion for judgment
15 notwithstanding the verdict. Id. at 161. The court found that
16 the only apparent reason for the plaintiff's request was
17 apprehension of the court's ruling on the pending motion and that
18 the dismissal would prejudice the defendant by subjecting it to
19 more litigation in state court after the federal action had
20 already progressed to trial. Id. at 159-60.

21 Here, in contrast, Plaintiffs did not seek to dismiss the
22 entirety of the action. Before the trial began, and without any
23 motion for judgment as a matter of law pending, they sought to
24 dismiss the wrongful interference claim, and Defendants did not
25 object. Further, they sought to dismiss the UCL claim because
26 they had already obtained their desired relief through the
27 favorable verdict on their other claims. Thus, there was no
28 reason for the Court to rule on the UCL claim. Especially in

1 light of the fact that Plaintiffs' voluntary dismissal of the UCL
2 claim was again occasioned by a favorable finding on their other
3 claims, it would be inequitable for the Court to hold, as
4 Defendants apparently request, that, if the jury verdict were
5 reversed during Defendants' pending appeal, Plaintiffs would be
6 barred under any circumstance from pursuing the UCL claim.

7 Accordingly, the Court denies Defendants' request to modify
8 the final judgment to dismiss the UCL and wrongful interference
9 claims with prejudice or to state that Plaintiffs are foreclosed
10 from pursuing them under any circumstance.

11 II. Motion to modify permanent injunction or to require an
12 additional bond

13 Plaintiffs seek to modify the permanent injunction that is
14 currently in place so that they can alienate the domain name
15 rl.com prior to the resolution of the appeal, or to require
16 Defendants to post a \$500,000 bond as security for any damages
17 caused by Plaintiffs' inability to alienate the domain name during
18 the appeals process.

19 The permanent injunction entered by the Court stated that
20 Plaintiffs are the lawful owners of rl.com and enjoined Defendants
21 from interfering with Plaintiffs' rights to possession, control
22 and use. Docket No. 343. The Court also stated,

23 In the event an appeal is taken from the Judgment
24 herein, this Order shall remain in effect pending
25 decision of the appeal, without any bond being required
26 of Plaintiffs, except upon the prior application of
27 Defendants, supported by a showing of good cause.
28 However, in such event, Plaintiffs shall not be
permitted to alienate RL.com until mandate of the Ninth
Circuit issues and the time to petition for a writ of
certiorari has passed. If a petition for a writ of
certiorari is filed, Plaintiffs shall not be permitted
to alienate RL.com until the petition is denied or, if
the petition is granted, until the matter is decided.

1 Id. at 1-2.²

2 Plaintiffs argue that the condition in the permanent
3 injunction restricting alienation is akin to a stay of the
4 injunction pending appeal pursuant to Rule 62 and thus that the
5 Court must require a bond or other appropriate terms for their
6 security. Plaintiffs contend that the permanent injunction should
7 be altered to prevent them from incurring substantial economic
8 harm during the pendency of the appeal.

9 The Court notes that, in connection with Defendants' motion
10 to stay the injunction imposed after the motion for summary
11 adjudication, Plaintiffs themselves proposed, and stipulated to,
12 the requirement that they refrain from alienating the domain name
13 during the appeals process. See Pls.' Opp. to Defs.' Mot. to
14 Stay, Docket No. 195, 9; Carreon Decl., Docket No. 195, ¶ 13; see
15 also Carreon Decl. ¶ 16 (requesting that the Court impose either
16 the condition that the domain not be alienated or require that the
17 registrar "lock" the domain name, so that its registration
18 information cannot be modified). Further, when sale of the domain
19 name was raised shortly before trial, Plaintiffs informed the
20 Court that they did not intend to sell the domain name and rather
21 that CRS Recovery, through Lau, intended to use it. See Docket
22 No. 385, 37:12-38:2 (stating that Lau "is not interested in
23 divesting himself of the domain name and selling it"); see also

24
25
26
27 ² The condition included in the permanent injunction that
28 contemplated the possibility of a bond in Defendants' favor was
proposed verbatim by Plaintiffs and is not at issue in the present
motion. See Docket No. 171 (Pls.' Proposed Permanent Injunction).

1 Carreon Decl. ¶ 15 (stating that CRS Recovery intended to use the
2 domain name while the appeal was pending).

3 Plaintiffs also have not offered any evidence to support
4 their assertions that the appeal condition in the permanent
5 injunction is causing them to suffer harm. Plaintiffs state in
6 their motion that the injunction means that they cannot use the
7 domain "for a commercial website or otherwise commercialize it,"
8 "mortgage it," "challenge a third party who wishes to use RL as
9 one of the new" generic top level domains (gTLDs) or sell it.
10 Mot. to Modify 5. However, Plaintiffs have not submitted evidence
11 that this appeal condition prevents them from using the domain
12 name for a commercial purpose or to produce income during the
13 appeal and it is not clear how this term could interfere with
14 Plaintiffs' ability to challenge third parties who may wish to use
15 RL in connection with a different generic top level domain.

16 In addition, the Court declines to require Defendants to post
17 a bond at this time. The record contains evidence that Northbay
18 is currently in bankruptcy and is represented by the Trustee of
19 its estate and that Laxton is proceeding pro se due to his
20 inability to pay counsel.

21 Accordingly, the Court DENIES Plaintiffs' motion. However,
22 if the parties are able to reach an agreement, the Court will
23 entertain a stipulation to modify the injunction to allow
24 Plaintiffs to sell the domain name and invest the proceeds pending
25 appeal.

26 CONCLUSION

27 For the reasons set forth above, the Court DENIES Defendants'
28 renewed motion for a judgment as a matter of law (Docket No. 349)

1 and DENIES Plaintiffs' motion to modify the permanent injunction
2 or to require the posting of a bond (Docket No. 387).

3 Because Plaintiffs' request for a case management conference
4 appears to be to discuss the status of Defendants' motion, which
5 the Court has resolved in this Order, the Court declines to set a
6 case management conference at this time.

7 IT IS SO ORDERED.

8
9 Dated: 1/10/2013


CLAUDIA WILKEN
United States District Judge

United States District Court
For the Northern District of California